



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., May 23, 2000. The following members were present:

Chairman Jody B. Olson  
Susan K. Simmons  
Dennis L. Johnson  
J. Kirk Sullivan  
Pamela I. Ahrens

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, IT Manager Ted Aho, Medical Advisors B. Strouth and John Mather, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn  
Richelle Sugiyama  
Brian McGrath  
Dennis Fitzpatrick  
Drew Black  
Rod MacKinnon  
Bill Palumbo  
Judy Aitken  
Alan Pritchett  
Marta Watson  
Robert Schmidt  
Robert Hoffman  
Michael D. Taylor

Dorn, Helliesen & Cottle  
Dorn, Helliesen & Cottle  
D.B. Fitzpatrick & Co.  
D.B. Fitzpatrick & Co.  
D.B. Fitzpatrick & Co.  
Mountain Pacific Investments  
Mountain Pacific Investments  
PERSI  
BEA  
DFM  
Milliman and Robertson, Inc.  
Nationwide  
Hartford Life

Jerry Rasavage  
J. deLuna  
Dave Tolman

IPEA  
State Street Global  
DFM

#### EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1)(d) authorizes the same. By motion duly made by Trustee Johnson, seconded by Trustee Ahrens and unanimously approved, the Board went into executive session at 8:30 a.m.

After discussion of each disability applicant, the Board went back into regular session at 8:35 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Simmons, the Board unanimously approved the disability application of Amy L. Martsch with no review.

#### OLD BUSINESS:

Approval of the Minutes: Trustee Simmons pointed out a typographical error in the minutes that were submitted for approval. She also said she had voted affirmatively for setting the contribution rate at 15.78% effective July 1, 2000. By motion duly made by Trustee Simmons, seconded by Trustee Johnson and unanimously approved, the Board approved the minutes of the April 25, 2000, regular Board meeting with the aforementioned corrections.

#### PORTFOLIO

Mellon Trust Quarterly Report: CIO Robert Maynard said the information in the Russell Mellon performance review dated May 23, 2000 has been covered on a regular basis. The information covers the quarter ending March 31, 2000, so two months have elapsed since then and the Board has heard all of the information. Chairman Olson asked if having Mellon staff come only twice a year to the meetings was working well; Mr. Maynard said it is.

Monthly Report: Doug Dorn of Dorn, Helliessen & Cottle reviewed the performance report for the period ended April 30, 2000. The total fund return for the fiscal year-to-date is 10.8% with a negative 3.8% return for the month. Continuing his review of fund performance, Mr. Dorn said asset allocation is responsible for 85-90% of the returns. He discussed the diversification strategies and how PERSI uses them effectively. His report noted that Tukman, State Street and the TIPS bonds have positive returns this month even though the markets have had negative returns.

Monthly Portfolio Update: Mr. Maynard told the trustees that since the last meeting he attended a conference in London and then spent time with several of our managers reviewing their back office procedures. He visited the offices of Schroders, TCW, Genesis, Barings, Rowe Price, and Pareto and said he is pleased with the marked improvement in those systems. They are now electronically connected with Mellon and PERSI's fiscal department can communicate on a daily basis with their back offices. Mr. Maynard continues his involvement with the effort to create national risk management standards for public pension funds. Drafts of the standards are currently circulating to other Chief Investment Officers, consultants, fund managers and the public funds auditors association. He offered copies for review to interested trustees.

He then reviewed his Investment Report dated May 23, 2000 which showed a total fund return for the month of negative 3.1% with the total current value of the fund listed as \$6,887,398,435. The fiscal year-to-date return is 7.6%. His report said the Fed tightening

continues, and the recent 50 basis point raise does not appear to be the end of the tightening actions. Recently, the growth sectors have been underperforming the value and higher capitalization sectors (although both are down recently). The portfolio is performing as expected given the market conditions. International equities have also fallen recently, although for the fiscal year to date, international and global equities continue to derive relative outperformance. Brandes and Lend Lease are having very good recent performance, and Mountain Pacific, Scudder and Schroders have had marked positive turnarounds. Columbus Circle is now having a very difficult time, although for the fiscal year their relative performance is still very good. Mr. Maynard said the severe deterioration over the last two months has been led by a drop in the US and international equity markets. PERSI is doing better than the general indices. We gained more than the general indices and now we are losing less. He said the impact of the managers has added 3% over the long term which makes their impact enough to make it worthwhile, given their fees. Hedging has added return this year while small cap and emerging markets have given up their advantages. Every portion of the portfolio is responding as Mr. Maynard expects it to in these markets.

Private Equity Report: Mario Gianinni reviewed his 1999 Fourth Quarter Report which had previously been furnished to the Board. He discussed the various sectors and said some of the companies that have done well will be coming back with new investments which we may fund. He said there are some new offerings that are being considered. There will be a number of drawdowns on committed funds in the coming months and early next year we may have around a 3% exposure in the private equity sector.

Manager Comments: Chairman Olson invited comments from PERSI managers who were attending the meeting. Economist Brian McGrath said he does not share the fear of inflation that the Federal Reserve Board does; he feels the Feds have gone too far in raising the rates. There will be another meeting of that board right at the end of our fiscal year which may roil the markets. Rod MacKinnon said he too believes we have a relatively good year for the average stock, but the index could be down. Chairman Olson cautioned the staff to be ready to implement gain sharing even in these volatile markets. Mr. Maynard said the annual commercial mortgage review is underway and the report should be ready for the next meeting.

COMMUNICATIONS: Public Information Officer Becky Crowther demonstrated how to use the PERSI website and the internal intranet. The PERSI handbook, information brochures and newsletters are now available at [www.persi.state.id.us](http://www.persi.state.id.us) along with Board minutes and agendas, answers to Frequently Asked Questions, links to legislation affecting PERSI and commonly used forms. Agenda's are available when the Board packets are provided, which is about a week before the meeting. There are also links to other useful sites such as Social Security, the 401(k) provider and other retirement systems. Although the webmaster position we requested was not approved this year, we are attempting to develop this communication area as much as possible. IT Manager Ted Aho said we are working on the infrastructure for the webpage, and will be able to analyze the data to determine which information our users view and use the most. Ms. Crowther then showed how to access the PERSI page from the State of Idaho home page.

#### FISCAL:

Fiscal Update: - Financial Officer James Monroe said he is working with our building manager to lease the 820 Washington property.

Mr. Monroe said Senior Accountant Rhonda Yadon had a difficult time preparing the March quarterly report this time because of difficulties with the Mellon system download. He said one example was Mellon had changed to four digits for noting the years in the date fields, and the Multiview program had not been modified to accept that date field length. Ms. Yadon was forced to use paper statements and enter some data by hand to reconcile the reports. He said Mellon is working on a solution to the problem and they should be fixed within a few weeks.

The portfolio and administrative reports had previously been furnished to the Board. Mr. Monroe briefly reviewed these reports with the Board and explained the distribution of the reports.

## EXECUTIVE DIRECTOR

Adoption of Pending Rules: Deputy Attorney General Brad Goodsell had provided a memorandum dated May 15, 2000 for the Board regarding temporary and proposed rules that had been adopted earlier. By motion duly made by Trustee Sullivan, seconded by Trustee Ahrens the Board unanimously adopted the Contribution Rules Docket #59-0103-9903, Separation Rules – Docket # 59-0105-9901 and Miscellaneous Rules – Docket 59-0107-9901 as pending rules without any changes. Mr. Goodsell explained that these will become final rules after the 2001 legislative body approves them.

Status Report: Mr. Winkle reviewed his report dated May 16, 2000, which discussed on-going projects at PERSI. In response to a question from Trustee Simmons, he said the Retiree Medical Study is expected to provide information on ways to prefund retiree medical insurance, a survey of what employers are now offering and what retirees are using for coverage, as well of the feasibility of plan consolidation, or risk pooling, for medical insurance.

Trustee Simmons will assist with the Deputy Director interviews; Chairman Olson thanked her for agreeing to help. The position will be, essentially, an operations officer position.

Regarding the RFP for a Third Party Administrator for the Disability Program, Mr. Winkle said only one vendor had attended the pre-bid conference. If the bids are too high, we will have to consider some of the original suggested alternatives such as insuring the program. The decision will be brought later to the Board.

Staff then discussed how the gains sharing program will be set up, saying one main consideration is ensuring that cost savings in fees can be passed on to the participants. Pricing and recordkeeping controls were also discussed. Mr. Winkle said eventually a window to private vendors will be provided. It will be the latter part of July or early August before we have any data for actually discussing gains sharing for this year.

M&R is working on a calculator program for the purchase of service option. It will be very expensive for members, because the full cost of the benefit is to be paid by the member. We will have the calculator available on our website as well as paper worksheets for estimates.

Answering a question from Trustee Simmons, Mr. Aho said he had just returned from Portland where he talked to the technical lead staff person about the Galena project. Mr. Aho said the changes look positive and he expects the components to be in place and operating by October.

New Employer: By motion duly made by Trustee Johnson, seconded by Trustee Ahrens and unanimously approved, the Board welcomed the City of Kimberly as a new PERSI employer effective May 1, 2000.

The Board received copies of the PERSI strategic plan summary. Full copies are available to those interested in those details. The staff will submit the plan to DFM by June 30, 2000 as required.

Adjournment: The next meeting will be in Lewiston on June 22. Details of the trip will be sent to Board members. There being no further business to conduct, by motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:55 a.m.

FUTURE BOARD MEETINGS

**Thursday, June 22, 2000, 9:30 a.m., Red Lion Hotel – Lewiston Idaho**

Tuesday, July 25, 2000, 8:30 a.m., Boise – PERSI office

Tuesday, August 22, 2000, 8:30 a.m., Boise – PERSI office

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director